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**COUNTY OF SAN MATEO**

Report to Board of Supervisors  
and Grand Jury

For the Fiscal Year Ended  
June 30, 2009

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**COUNTY OF SAN MATEO**

Report to Board of Supervisors and Grand Jury  
For the Fiscal Year Ended June 30, 2009

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SAN DIEGO

To the Board of Supervisor and the Grand Jury  
of the County of San Mateo  
Redwood City, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of San Mateo, California (County) as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America. Our opinion on the financial statements and this report, insofar as they relate to the Housing Authority of the County of San Mateo and the San Mateo County Employees' Retirement Association, are based solely on the report of other auditors. Professional auditing standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and U.S. Office of Management and Budget (OMB) Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our General Audit Plan to you dated May 20, 2009. Professional standards also require that we communicate to you other information related to our audit as discussed in the Required Communications section.

In planning and performing our audit of the County's basic financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as described below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency presented in the Current Year Recommendations as finding 2009-01 to be a significant deficiency. In addition, we noted other matters involving the internal control and its operation that we have reported to management as described in the Current Year Recommendations section.

The County's written responses to the findings identified in our audit are described in the Current Year Recommendations section. We did not audit the County's responses and, accordingly, we express no opinion on them. In addition, we would be pleased to discuss the recommendations in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

We have included in this letter a summary of communications with the Board of Supervisors and the Grand Jury as required by professional auditing standards. We have also provided a status of our prior year recommendations. We would like to thank County management and staff for the courtesy and cooperation extended to us during the course of our engagement.

This communication is intended solely for the information and use of the County Board of Supervisors, the Grand Jury, County management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties

  
Certified Public Accountants

Walnut Creek, California  
November 18, 2009

## COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury  
For the Fiscal Year Ended June 30, 2009

### REQUIRED COMMUNICATIONS – SIGNIFICANT AUDIT FINDINGS

#### I. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 2 to the financial statements. With the exception of the item described below, no new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2009.

As described in Note 2(o) to the County's basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Fair value of investments;
- Allowances for doubtful accounts for accounts receivable;
- Allowance for uncollectible mortgage loans;
- Depreciation estimates for capital assets;
- Accrual and disclosure of compensated absences;
- Accrual and disclosure of other postemployment benefits;
- Accrual and disclosure of self-insured claims liabilities; and
- Contractual adjustments and estimated uncollectibles of patient accounts receivable.

Management's estimates were based on the following:

- Fair value of investments are based on custodian statements;
- Allowances for doubtful accounts for accounts receivable are based on historical collection rates;
- Allowance for uncollectible mortgage loans is based on loan terms and conditions. Some loans may be forgiven if certain terms and conditions of the loans are met;
- Depreciation for capital assets is based on estimated useful lives for capital assets;
- Accrual of compensated absences is based on unused vacation and compensatory time at year-end;
- Accruals of other postemployment benefits and self-insured claims liabilities are based on actuarial studies performed by the County's independent actuaries;
- Estimates of contractual adjustments and uncollectibles of patient accounts receivables are based on historical collections and reimbursement formulas prescribed by federal and state legislation.

## COUNTY OF SAN MATEO

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### REQUIRED COMMUNICATIONS – SIGNIFICANT AUDIT FINDINGS (Continued)

#### I. Qualitative Aspects of Accounting Practices (Continued)

During our audit, we evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial reporting units that collectively comprise the County's basic financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were pension benefits and other postemployment benefits. The disclosures about pension benefits and postemployment benefits in Note 13 and Note 14 to the financial statements, respectively, are based on actuarial evaluations.

#### II. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### III. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During our audit, we noted a material misstatement as a result of an adjusting entry not posted to the financial management system in the amount of \$7 million as discussed on page 7. This adjustment was subsequently corrected by management. In addition, the attached schedule on page 15 summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### IV. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### V. Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 18, 2009.

#### VI. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **COUNTY OF SAN MATEO**

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### **REQUIRED COMMUNICATIONS – SIGNIFICANT AUDIT FINDINGS (Continued)**

#### **VII. Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **VIII. Other Information in Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing the financial statements and our report does not extend beyond the financial information identified in our audit report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. The County includes its financial statements and our report in its Comprehensive Annual Financial Report (CAFR). However, we read the other information in the County's CAFR and considered whether such information, or its manner of presentation, was materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. Nothing came to our attention that caused us to believe that such information, or manner of its presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

## COUNTY OF SAN MATEO

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### CURRENT YEAR RECOMMENDATIONS

#### 2009-01 Authorization for Changes to the Charge Master

##### *Significant Deficiency*

The Charge Master Description ('CDM') pricing tables are periodically revised to account for changes in the Medical Center's operating environment and market prices for services and supplies provided to patients. During our tests of internal controls over the patient billing we noted that the documents authorizing changes to the CDM were not available for review. In addition, we noted that the process to request a change to the CDM is informal (mainly emails) and the procedures for requesting a change and listing of authorized individuals have not been documented.

We recommend that the Medical Center develop and communicate formal procedures for requesting changes to the CDM. In addition, a list of individuals authorized to approve changes should be maintained by the patient accounting department. Finally, the Medical Center should formalize a process to maintain authorization documents.

##### Management's Response:

The Medical Center is implementing Craneware software to review the CDM file. The review will include but is not limited to CPT codes, modifiers, revenue codes and compliance. Each manager will be trained on the use of the Craneware software by January 31, 2010.

All CDM updates and or changes will be requested by the department manager. The request will be made through the Craneware email system which will have an electronic audit trail. The email will be approved by the CFO and sent back to the CDM Coordinator who will make all necessary changes in the CORE system.

The Accounting Department is in the process of preparing a master list of authorized approvers, including sample signatures. The list will include authorized approvers for contracts, purchase orders, checks, wire transfers, CDM changes, accounts payable batches, journal entries, budget adjustments, etc.



## COUNTY OF SAN MATEO

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### CURRENT YEAR RECOMMENDATIONS (Continued)

#### 2009-02 Year-end Financial Reporting

##### *Control Deficiency*

As part of the County's Comprehensive Annual Financial Report (CAFR) preparation process, the County records its financial reporting adjustments in accordance with accounting principles generally accepted in the United States of America (GAAP) in the budget module of the County's accounting system (IFAS). Included in these financial reporting adjustments are entries to accrue outstanding liabilities at year-end. During our review of the County's basic financial statements for the year ended June 30, 2009, we noted that the County initiated a \$7 million adjusting entry to the General Fund's accounts payable that was not reflected in the County's draft financial statements. Further investigation revealed that the IFAS budget module requires batch IDs to be no more than 8 characters in length. Because a user inadvertently inputted too many digits in the batch ID when recording one of the adjusting entries, IFAS did not process the adjustment which affected the reporting in the GAAP financial statements.

In prior years, the Controller's Office printed a "posted copy" of all budget module journal entries to confirm the proper posting of these unique financial statement adjusting transactions. This specific posting report has not been generated by IFAS since 2006. As a result of this posting report not being printed, the County was not aware that IFAS did not post the year-end adjusting entry noted above.

We recommend that management consider re-establishing the printing function or establishing other alternative analytical procedures to ensure all adjusting entries related to the preparation of the GAAP financial statements are posted.

##### Management's Response:

We agree with the recommendation and have implemented the suggested controls.

Each year, after the books are closed, the Controller's Office manages the preparation of the County's Comprehensive Annual Financial Report which includes the audited basic financial statements. As part of this preparation process, post-closing adjusting entries are made in the accounting system's budget module (separate from the module used for day-to-day transaction processing). These post-closing adjusting entries are used to convert the activity in the general ledger system from a cash basis to both the full and modified accrual basis of accounting used in the audited financial statements.

To avoid the chance of recurrence of this instance, management has once again enabled this report for printing for each posted adjusting entry to ensure proper posting occurs. Additionally we will perform an analytical review specifically related to the completeness of the accounts payable liability.

## COUNTY OF SAN MATEO

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### CURRENT YEAR RECOMMENDATIONS (Continued)

#### 2009-03 Pharmaceuticals and Supplies Inventory Count

##### *Control Deficiency*

Annually the Medical Center conducts a physical count of inventory related to pharmaceuticals and supplies which is used to determine the year-end inventory balances reported in the financial statements. We observed the inventory counts performed on June 30 and July 1, 2009, and documented our test counts, which agreed to those of the Medical Center on the days of the counts. However, we noted discrepancies in 18 out of 57 test counts where our documented test count did not agree to the final detailed inventory report. The Medical Center corrected 10 of these discrepancies but could not account for the difference in the remaining 8 discrepancies. Furthermore, we observed that the pharmacy count appears rushed due to limited resources.

We recommend the following:

- 1) Pharmacy – The Medical Center should consider contracting with a professional count team to perform the inventory count. This will relieve the burden on strained resource levels in the pharmacy by allowing staff to perform their normal service tasks.
- 2) Supply Distribution – The Medical Center should establish procedures to perform test re-counts on randomly selected items to verify the accuracy of the counts. If the error rate is high, management should order selective re-counts based on error rate by like products and individual counters. In addition, controls over the updating final inventory reports should be reviewed and revised as necessary to ensure the reports are accurately updated based on the results of the each count.

##### Management's Response:

- 1) Pharmacy – The Medical Center will contract with an inventory service to manage the pharmacy's physical inventory count at June 30, 2010.
- 2) Supply Distribution – The Medical Center is in process of replacing its materials management inventory system with a new system, which will maintain a reliable perpetual inventory balance and allow monthly random inventory checks. This new system is expected to go live during fiscal year 2009-10. For the next inventory count at June 30, 2010, the following controls will be put in place:
  - The Accounting Department will develop written procedures for physical inventories, including re-counts for randomly selected items.
  - The Materials Management Department will re-organize inventory stock so that each item of supply is in one location to enhance the accuracy of the inventory count.
  - The Materials Management Department will update the final inventory reports accurately based on the inventory count and submit to the Accounting Department.

The Accounting Department will verify that the final inventory reports agree to the inventory count.

## COUNTY OF SAN MATEO

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### **CURRENT YEAR RECOMMENDATIONS (Continued)**

#### **2009-04 Timely and accurate financial reporting**

##### ***Other Matter***

During the audit, we noted that Medical Center staff had not completed the reconciliations of several general ledger accounts (e.g. capital assets, depreciation, inventory) prior to the start of our fieldwork. We recommend the general ledger be reconciled in a timely manner subsequent to year-end.

##### **Management's Response:**

It is the Medical Center CFO's expectation that the Accounting Department performs monthly balance sheet account reconciliations for all of the balance sheet accounts. The target date for completion and ongoing reconciliations will be March 2010.

#### **2009-05 Reconciliation of patient receivable balance and related bad debt reserves**

##### ***Other Matter***

The Medical Center currently does not have the staff resources to reconcile patient receivable balances and the related bad debt reserves and has engaged outside experts to assist them in this analysis. We recommend the Medical Center train staff to reconcile the patient receivable balances and related bad debt reserves. By developing such expertise, the Medical Center would be able to assess and evaluate the balances to ensure the reasonableness and accuracy of such material accounts.

##### **Management's Response:**

The CFO is working with staff to complete a new contractual model and bad debt reserve model that is based on the aging of accounts receivable to establish a monthly allowance reserve process that distinguishes contractual allowance and expense from bad debt allowance and expense. The completion and integration of the model will be for the February 2010 close.

## COUNTY OF SAN MATEO

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### CURRENT YEAR RECOMMENDATIONS (Continued)

#### 2009-06 American Recovery and Reinvestment Act

##### *Informational*

The American Recovery and Reinvestment Act of 2009 (the Recovery Act) provides approximately \$300 billion dollars in additional federal funds which will be passed down from federal agencies to state and local governments and institutions of higher education. These federal funds are intended to either supplement existing federal programs, create new programs, or to provide more broad fiscal relief.

The Recovery Act mandates that there be an unprecedented amount of oversight and transparency over the spending of all funds associated with it. The Office of Management and Budget (OMB) set up a web site to be the central point for the transparency part of the mandate. Also, the OMB issued guidance to the federal agencies regarding how they should carry out programs and activities relating to the Recovery Act that promotes timeliness and accountability. The OMB guidance addresses many issues and responsibilities including the following:

- Recipients are required to clearly distinguish Recovery Act funds from non-Recovery Act funds.
- New programs or existing programs that have significant changes in compliance requirements will be identified with a new Catalog of Federal Domestic Assistance (CFDA) number.
- Federal agencies designated Recovery Act programs as high-risk for single audit purposes.
- Extensive quarterly reporting to federal agencies may be required from recipients of Recovery Act funding, which will be due within 10 days of each calendar quarter-end.
- Federal agencies are required to initiate additional oversight to address the unique implementation risks of the Recovery Act. The expectation in this area is that federal agencies will establish defined strategies to prevent or timely detect waste, fraud, or abuse.
- Federal agencies will also use the single audit process as a means of promoting accountability for Recovery Act funds.
- The Federal Audit Clearinghouse (FAC) is required to make publicly available on the internet all single audit reports filed with the FAC for fiscal years ending September 30, 2009, and later.

Based on the information above, it is clear the Recovery Act funds will have a significant impact on your single audit. While the Recovery Act may not have an immediate impact on the County's single audit of the year ended June 30, 2009, it is likely that it will have a significant impact over the following two fiscal years. Therefore, the County should begin planning and assessing risks associated with the receipt, spending and reporting of Recovery Act funds. Specifically, you should consider the following:

- Whether control procedures in place over federal expenditures are appropriate, operating effectively, designed to detect and prevent unallowable expenditures, and to detect or prevent fraud and abuse.
- Whether the existing staffing resources are adequate to address the increased reporting and monitoring requirements as a result of the Recovery Act. The County should also identify individual(s) who will monitor requirements and provide consistent guidance to the organization.
- Whether additional controls and system requirements will be needed to ensure that Recovery Act funds can be separately identified and tracked.
- Whether new controls will need to be established to meet the stringent reporting requirements to federal agencies.
- If Recovery Act funds will be passed down to subrecipients, whether controls are in place to ensure appropriate subrecipient monitoring and also whether any new controls will need to be established related to new subrecipient reporting responsibilities.

## COUNTY OF SAN MATEO

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### STATUS OF PRIOR YEAR RECOMMENDATIONS

#### 2008-1, Well Patient Admission Documentation

##### *Significant Deficiency*

The Medical Center should develop a tracking tool, such as a checklist, to determine that all eligibility requirements are completed timely and required documentation received and properly filed in accordance to the guidance set forth for the Wellness, Education, Linkage, Low-Cost (Well) Program in July 1996.

##### **Current Year Status:**

Implemented. Beginning April 2009, a Well Program Benefits Analyst verifies that all eligibility requirements have been met and all required documentation is in the files. The review includes income verification, residency and timeliness of submission.

#### 2008-2, Contractual Allowance Analysis

##### *Significant Deficiency*

The Medical Center should revise its Reserve Calculation worksheet to identify financial classes with negative accounts receivable balances and review its methodology to ensure these items are properly mitigated. In addition, procedures should be developed to perform an analysis of financial class "U" (Undetermined) annually to ensure reclassifications are based on current information.

##### **Current Year Status:**

Implemented. A new "net accounts receivable" column was added to the Reserve Calculation worksheet. Management reviewed the propriety of amounts in financial class "U". In addition, HFS Consultants conducted an overall reasonableness review of the contractual allowances as of June 30, 2009, prior to preparation of the annual financial statements.

#### 2008-3, Grant Tracking

##### *Control Deficiency*

The Medical Center should develop a mechanism for tracking and monitoring individual grants received that will allow information to be provided timely related to grant progress and to assist in periodic reconciliations of grant revenues and expected future expenses.

##### **Current Year Status:**

In process. The County is currently implementing the grants module of the IFAS financial system. We understand the new module will go live during fiscal year 2009-10. In preparation for the change, the Medical Center has completed the following:

- Conducted an inventory of all Medical Center grants.
- Developed written SMMC grants procedures.

The Medical Center is in process of:

- Participating on the County's grants module implementation task force.
- Circulating a detail monthly grant revenue and expense statement to all grant administrators summarizing the status of each grant (are amounts being billed and collected, will grants be used before they expire).
- Conducting a review of the status of each grant, including accounting/reporting, billing/collecting, and award expiration dates.
- Centralizing location of all grant award and reimbursement documents in the Accounting Department.

SMMC will revise the grants procedures based on new County procedures.

## COUNTY OF SAN MATEO

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### STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)

#### 2008-4, Vendor Contracts

##### *Control Deficiency*

The Medical Center should review its current vendor agreements to determine if contracts expirations are imminent and analyze period-to-date expenses with future expectations, in addition to considering having the County's purchasing conduct a formal bidding process for the consortium contract to ensure that the Medical Center is getting the best price for drugs and supplies. Establishing budgetary controls (e.g. purchase orders) in the general ledger system for significant vendors to assist in controlling costs and timely identifying vendor costs exceeding expectations is also suggested.

##### **Current Year Status:**

In Process. The County is planning to implement the contracts module of the IFAS financial system. The Medical Center is beta testing this module. This will make it easier for the Medical Center to monitor the status of contracts.

The Accounting Department currently maintains a list of all payments by contract and does not pay any vendor invoices over the contract amount. Accounting also compares the unspent balance of each contract to the remaining contract period twice a year and notifies the department manager of those situations in which expenditures are in danger of exceeding the contract.

The Medical Center uses GPO ("Group Purchasing Organization") Amerinet as its primary supplier of drugs and supplies. This is a consortium of smaller hospitals to take advantage of group purchasing power. The County has a contract with Amerinet that was extended for two years through fiscal year 2010-2011. It is expected that the County will bid this contract again at that time.

#### 2007-3, Recording of Mortgages Receivable

##### *Significant Deficiency*

The Department of Housing (DOH) should assume the responsibility of initiating and approving adjustments to the mortgage receivable and related allowance balances in the County's general ledger and reconcile them at least annually to its loan database. The DOH should also document its policies and procedures to prevent future errors. In fiscal year 2007-08, the DOH was in the process of formally documenting the department's procedures on the year-end analysis and financial reporting process to minimize the effects of "lost" knowledge due to turnover. Such documentation is to be completed by the end of fiscal year 2008-09.

##### **Current Year Status:**

Implemented.

#### 2007-5, Missing Condition of Admission Forms

##### *Control Deficiency*

Of 32 in-patient files tested, 4 did not have a Conditions of Admissions form in the patient file. This form is required for in-patients to notify them of their rights and responsibilities. Management should emphasize the importance of obtaining and properly filing the Conditions of Admissions forms to ensure compliance. In FY2008, the Medical Center was in process of evaluating the controls over this process.

##### **Current Year Status:**

Implemented.

## COUNTY OF SAN MATEO

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### STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)

#### 2007-7, Risk Assessment and Monitoring

##### *Informational*

We recommended that the County perform and document a comprehensive risk assessment analysis to assess the effectiveness of internal controls design and/or effectiveness of its internal control framework.

##### **Current Year Status:**

In process. The Controller's Office's Internal Audit Division has identified and is updating the internal control assessments of five major countywide processes, including accounts payable, purchasing, cash disbursements; accounts receivable and cash receipts; payroll; capital assets; and fiscal year-end closing process. The Medical Center has hired a consultant to assist in its risk assessment. The results will be reviewed by the Internal Audit Division to be incorporated in the countywide documentation. The expected completion date for this phase of the assessment is June 2010.

Once the assessments of countywide processes are complete, the Internal Audit Division plans to expand its analysis to other County departments. The Medical Center will be one of the focus areas due to its size and diversity of transactions.

#### 2006-1, Internal Control Weaknesses Related to Cash Receipts Process

##### *Reportable Condition*

We recommended that the Medical Center perform a more extensive internal review and assessment of its cash receipts process to include any major offsite collection points. Additionally, procedures at the Cashier's Office should be evaluated and documented. In FY08, the Medical Center hired a consultant to review the process and recommendations are being incorporated in the Medical Center's risk assessment evaluation.

##### **Current Year Status:**

In process. The 39 recommendations on cash collections identified in the September 2007 report prepared by a consultant are being distributed to the appropriate department managers with implementation guidance. An implementation schedule will be developed upon receiving responses from the departments and will be monitored by the Accounting Department.

#### 2006-3, Adequate Staffing for Financial Reporting and Accounting Systems Functions

##### *Other Comment*

We recommended that the County evaluate appropriate staffing for critical functions of the Controller's Office and strongly consider adding positions to ensure continuity of these functions and to add capacity to evaluate key business processes for efficiency and effectiveness in daily operations.

##### **Current Year Status:**

We are removing this recommendation because additional positions appear unfeasible given the current budget constraints facing the County. However, the Controller's Office continues to cross-train its existing accounting staff to compensate for limited available resources dedicated to the financial reporting function.

**COUNTY OF SAN MATEO**

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**STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)**

**2005-4, Capital Assets Reconciliation**

***Other Comment***

We recommended that the County consider allocating adequate resources to implement the capital asset module in the general ledger system (IFAS) to ensure that all capital asset activities are appropriately captured and reported. Due to resource constraints, the County has put this project on hold in FY2008.

**Current Year Status:**

Due to resource constraints, the County will postpone this project indefinitely. We are removing this recommendation as it is not practical under current circumstances.



**COUNTY OF SAN MATEO**

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**SUMMARY OF UNCORRECTED MISSTATEMENTS**

<b>PJE#</b>	<b>Fund</b>	<b>Account Description</b>	<b>Debit</b>	<b>Credit</b>
1	SMMC	Unrestricted Net Assets	\$141,988	
	SMMC	Depreciation Expense (To adjust depreciation expense for the current fiscal year).		\$141,988
2	SMMC	Unrestricted Net Assets	\$966,545	
	SMMC	Interest Expense (To record interest expense in period incurred).		\$966,545
3	SMMC	Unrecorded OPEB expense	\$565,348	
	SMMC	Transfers-in (General Fund Subsidy) (To record OPEB contribution by the General Fund on behalf of the Medical Center).		\$565,348